

**TESTIMONY OF JAMES S. KING ON BEHALF OF THE  
CONNECTICUT INDUSTRIAL ENERGY CONSUMERS**

**DELIVERED AT CONNECTICUT LEGISLATIVE  
HEARING ON FEBRUARY 24, 2009**

MY NAME IS JIM KING AND I REPRESENT THE CONNECTICUT INDUSTRIAL ENERGY CONSUMERS, AN *AD HOC* COALITION OF INDUSTRIAL END-USERS WHICH COLLECTIVELY EMPLOY THOUSANDS OF CONNECTICUT WORKERS AT NUMEROUS PLANT LOCATIONS THROUGHOUT THE STATE. I AM HERE TO COMMENT ON THREE ENERGY BILLS BEFORE YOUR COMMITTEE AND DISCUSS THE COMPLEX ENERGY ISSUES FACING CONNECTICUT.

AS YOU KNOW, ELECTRIC RATES HAVE INCREASED DRAMATICALLY IN THE PAST FEW YEARS. DURING THIS TIME, THE UTILITIES AVERAGE GENERATION RATES FOR ALL CUSTOMER CLASSES HAS INCREASED FROM 4.0 CENTS/PER KWH IN 2002 TO OVER 11.0 CENTS/PER KWH IN 2008 - - EVEN HIGHER IN SOME MONTHS FOR INDUSTRIAL GENERATION SERVICE - - AN INCREASE OF ALMOST 150%. DISTRIBUTION RATES HAVE ALSO INCREASED SUBSTANTIALLY OVER THIS PERIOD. AS A RESULT, THE PRICE OF ELECTRICITY IN CONNECTICUT REMAINS WELL ABOVE THE NATIONAL AVERAGE AND IS HIGHER THAN PRICES PAID IN OTHER STATES THAT COMPETE WITH CONNECTICUT. IN FACT, AS OF AUGUST 2008, THE ELECTRICITY PRICES PAID BY INDUSTRIAL CUSTOMERS IN CONNECTICUT WERE ASTONISHING -- MORE THAN DOUBLE THE NATIONAL AVERAGE.

MOREOVER, EVEN MORE DISTURBING IS THAT THE GAP BETWEEN ELECTRIC RATES IN CONNECTICUT AND THOSE IN OTHER REGIONS HAS WIDENED. FOR EXAMPLE, TYPICAL RATES IN THE MID-WEST, SOUTH, SOUTHEAST, AND NORTHWEST ARE BETWEEN 4.0 CENTS/KWH AND 7.0 CENTS/KWH VERSUS 11.0/KWH CENTS TO 15.0 CENTS/KWH.

THESE HIGH ENERGY COSTS ARE ONE OF THE CONTRIBUTING FACTORS FOR THE DECLINE IN CONNECTICUT'S MANUFACTURING AND COMMERCIAL SECTORS. SIGNIFICANTLY, OVER THE LAST TEN YEARS, THE MANUFACTURING SECTOR IN CONNECTICUT HAS DECLINED BY OVER 21%, RESULTING IN A LOSS OF OVER 52,000 JOBS. MOREOVER, CONNECTICUT CONTINUES TO LOSE HUNDREDS OF MANUFACTURING JOBS PER MONTH. SIMILARLY, IN THE LAST THREE MONTHS, THE RETAIL TRADE SECTOR HAS LOST 8,700 JOBS. HIGH ENERGY PRICES IN THE STATE HAVE CONTRIBUTED TO THIS EXODUS.

CIEC MEMBERS HAVE NOT STOOD IDLE IN THE FACE OF THESE DRAMATIC ENERGY PRICE INCREASES. AS YOU ARE WELL AWARE, CIEC MEMBERS ARE LEADERS IN ENERGY REDUCTION AND CONSERVATION, DRAMATICALLY REDUCING THEIR USAGE. THEY ACTIVELY PARTICIPATE IN LOAD REDUCTION PROGRAMS AND ARE SUBJECT TO INTERRUPTION DURING PEAK PERIODS. THESE EFFORTS HAVE RESULTED IN LESS STRAIN OF THE BULK POWER SYSTEM AND PRODUCED SIGNIFICANT ENVIRONMENTAL BENEFITS BY REDUCING EMISSIONS AND POTENTIALLY DISPLACING OLDER

LESS EFFICIENT UNITS. CIEC MEMBERS CONTINUE TO EXPAND THEIR ENERGY REDUCTION AND CONSERVATION MEASURES.

CIEC MEMBERS HAVE ALSO UTILIZED CONNECTICUT'S INCENTIVES TO ASSIST CUSTOMER INVESTMENTS IN CONSERVATION, ENERGY EFFICIENCY, AND CLEANER ON-SITE POWER. IN FACT, MEMBERS HAVE ACTIVELY RESPONDED TO THE DISTRIBUTED GENERATION (DG) INCENTIVES ESTABLISHED BY THIS BODY IN THE ACT CONCERNING ENERGY INDEPENDENCE. AS A RESULT OF THE ACT, SEVERAL MEMBERS HAVE DEVOTED CONSIDERABLE TO TIME AND EFFORT TO EVALUATE THE PRACTICALITY OF CUSTOMER-SIDE DISTRIBUTED GENERATION AND HAVE SCHEDULED CONSTRUCTION AND INSTALLATION OF THESE SMALLER, MORE EFFICIENT AND ENVIRONMENTALLY FRIENDLY DISTRIBUTED GENERATION UNITS. IN PARTICULAR, BY UTILIZING WHAT OTHERWISE WOULD BE THERMAL WASTE, COMBINED HEAT AND POWER UNITS BEING CONSIDERED ARE ESPECIALLY EFFECTIVE AT ASSISTING CUSTOMERS IN MEETING CONSERVATION GOALS.

NEARLY 200,000 INDIVIDUALS ARE DIRECTLY EMPLOYED IN MANUFACTURING, REPRESENTING ROUGHLY 11.3 PERCENT OF THE STATE'S GROSS DOMESTIC PRODUCT. THE COMMERCIAL TRADE SECTOR ALSO EMPLOYS SEVERAL HUNDRED THOUSAND INDIVIDUALS. IT IS IMPORTANT THAT THESE JOBS ARE PRESERVED AND NEW JOBS ARE ADDED. WITH THAT GOAL IN MIND, CIEC SUPPORTS BOTH H.B. 6507 "AA CONCERNING REDUCING

AND STABILIZING ELECTRIC RATES FOR RESIDENTIAL AND BUSINESS CUSTOMERS” AND H.B. 6510 “AA ESTABLISHING A PUBLIC POWER AUTHORITY”. CIEC MEMBERS URGE THE ENERGY AND TECHNOLOGY COMMITTEE TO FULLY EXPLORE THE CREATION OF A POWER AUTHORITY, THAT ADDS CAPACITY UNDER A COST OF SERVICE MODEL WITHOUT MONOPOLIZING THE GENERATION MARKET. CIEC MEMBERS ARE ALSO VERY INTERESTED IN THE PROPOSAL TO ESTABLISH A COST OF SERVICE PROTOCOL FOR NEW GENERATING FACILITIES AS THE STATE MOVES FORWARD WITH PLANS TO MEET FUTURE ENERGY NEEDS. CIEC BELIEVES IT IS CRITICAL TO “LEVEL THE PLAYING FIELD” FOR ALL GENERATORS AND TO PROMOTE AND TAKE ADVANTAGE OF A DIVERSITY OF FUEL MIX, AS MUCH AS PRACTICABLE WHILE MINIMIZING COSTS, TO AVOID OVER-RELIANCE ON ANY ONE FUEL SOURCE.

SIMILARLY, CIEC SUPPORTS H.B. 6514 “AAC LOWERING CONSUMER ELECTRIC COSTS AND SUPPORTING ENERGY EFFICIENCY”. CIEC SUPPORTS THE IMPOSITION OF A REBATE REQUIREMENT ON ELECTRIC GENERATORS, NOT INCLUDING CUSTOMER-SIDE DISTRIBUTED GENERATION, EARNING A RATE OF RETURN DISPROPORTIONATE WITH THEIR COST OF SERVICE. SUCH A REBATE SHOULD BE RETURNED TO ALL ELECTRIC ENERGY CONSUMERS ON A KWH BASIS.

LASTLY, CIEC MEMBERS ALSO RECOMMEND THAT THE ENERGY AND TECHNOLOGY COMMITTEE AMEND SECTION 16-243N(A)(2) CONN. GEN. STAT.

TO REQUIRE ELECTRIC DISTRIBUTION COMPANIES TO OFFER INTERRUPTIBLE AND LOAD RESPONSE RATES TO CUSTOMERS THAT HAVE A MAXIMUM DEMAND OF NOT LESS THAN 350 KW. CURRENTLY, ELECTRIC DISTRIBUTION COMPANIES ARE REQUIRED TO OFFER INTERRUPTIBLE RATES OR LOAD RESPONSE RATES. INDUSTRIAL AND COMMERCIAL ELECTRIC CUSTOMERS WOULD LIKE TO HAVE THE OPTION OF DESIGNING LOAD RESPONSE ACTIONS UNDER THE CONTROL OF THE STATE, INDEPENDENT OF ISO NEW ENGLAND, THAT HELP TO SHAVE ENERGY COSTS AND MAINTAIN GRID RELIABILITY AT PEAK TIMES. IF UTILIZED PROPERLY, INTERRUPTIBLE RATES PROVIDE BENEFITS TO THE UTILITY, ITS CUSTOMERS, AND THE STATE THROUGH REDUCTIONS IN CONGESTION COSTS, INCREASES IN SYSTEM RELIABILITY, AND POTENTIAL AVOIDANCE OF UTILITY CAPITAL EXPENDITURES.

WE ARE COMMITTED TO WORKING WITH LEGISLATORS, STATE AGENCIES AND OTHER MARKET PARTICIPANTS TO IMPLEMENT SUCH SOLUTIONS TO ENSURE THE ECONOMIC VIABILITY OF OUR STATE.